IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF PENNSYLVANIA

SEFAC S.A. and SEFAC USA INC., Plaintiffs,	)	
v.	)	Case No. 2:15-cv-03406-SD
SEFAC, Inc., Defendant.	)	

DEFENDANT'S BRIEF IN SUPPORT OF ITS
MOTION TO DISMISS, OR IN THE ALTERNATIVE
MOTION TO STRIKE, AND MOTION TO STAY PROCEEDINGS

This case is the second of two actions initiated by Sefac S.A. ("Sefac France")[1] against Sefac, Inc. seeking the cancellation of Sefac, Inc.'s Trademark Reg. No. 2,840,695 for the word mark SEFAC ("the Trademark"). Sefac France seeks the cancellation of Sefac, Inc.'s Trademark directly through the Trademark Trial and Appeal Board of the United States Patent and Trademark Office (the "TTAB"), and simultaneously asks this Honorable Court to order the Director of the United States Patent and Trademark Office to cancel the Trademark. Rather than litigate this issue simultaneously in two fora, Sefac, Inc. moves to stay proceedings in this Court pending the completion of the primary action filed by Sefac France before the TTAB.

Also, pursuant to Fed. R. Civ. P. 12(b)(6), Sefac, Inc. moves to dismiss claims arising under the Pennsylvania Unfair Trade Practices and Consumer Protection Law ("Consumer

[1]Plaintiff Sefac France is a corporation organized under the laws of France. Compl. ¶ 1. It is the only named Petitioner before the TTAB. Its wholly owned subsidiary, Sefac USA, Inc., is also named as a Plaintiff in the Complaint. *Id.* ¶ 3. Sefac France and the Defendant, Sefac, Inc., were both previously owned by Triapt Holdings, Ltd. The trustees of Triapt Holdings sold Sefac France to its current owner in April 2005. Exhibit A, ¶ 5, and sold Sefac, Inc. to its current owner the same year. *Id.*

Protection Law"). It has no application to this business dispute. In the alternative, pursuant to Fed. R. Civ. Proc. 12(f), Sefac, Inc. moves to strike immaterial references within the Complaint to the Consumer Protection Law.

RELEVANT FACTS

On December 9, 2014, Sefac France filed TTAB Cancellation Petition No. 92060499 (the "Petition"), seeking cancellation of Sefac, Inc.'s Trademark through the cancellation dispute resolution process established by the United States Patent and Trademark Office.[2] **Exhibit A**. The TTAB issued its scheduling order, which the parties subsequently amended by agreement. **Exhibit B**. Sefac, Inc. promptly answered the Petition, denying the substance of the allegations and presenting seven affirmative defenses. **Exhibit C**. On April 20, 2015, the parties exchanged initial disclosures.[3] **Exhibit D**. All of this occurred in the TTAB action prior to the Plaintiffs filing of its Complaint with this Court.

Plaintiffs filed their Complaint on June 17, 2015, seeking, among other things, "an order directing the Director of the USPTO to cancel the "SEFAC" mark . . . ." *Id.* at ¶ 63. The Complaint acknowledges that the Petition is pending before the TTAB. *Id.* at ¶ 7.

Relevant to Defendant's Motion to Dismiss under Fed. R. Civ. Proc. 12(b)(6) or, in the alternative, motion to strike under Fed. R. Civ. Proc. 12(f), the Complaint seeks relief for alleged "deceptive trade practices in violation of Pennsylvania Unfair Trade Practices and Consumer

[2]The TTAB is the administrative adjudicatory arm of the USPTO. 15 U.S.C. §1067. The USPTO is an agency under the authority of the United States Department of Commerce, within the Executive branch. *See* http://www.uspto.gov/about-us (last accessed August 14, 2015).

[3]The process for exchanging initial disclosures is governed by 37 CFR 2.120(a), and is substantially similar to Fed. R. Civ. P. 26(a)(1)(A)(i) and (ii). *See* Trademark Trial and Appeal Board Manual of Procedure (TBMP) § 401.02.

Protection Law", *see* Compl. ¶ 8, and recites that Pennsylvania law as a basis for an award of attorneys' fees, costs and expenses, *see id*. at *ad damnun clause* (c)(6). However, the Complaint contains no allegation that either Plaintiff has purchased or leased goods or services from Defendant for personal, family or household use. The only alleged relationship among the parties is that of commercial manufacturer-distributor. *Id.* ¶¶ 3, 5, 16, 19.[4] Sefac France did not segregate its claims under the consumer Protection Act in a separate count.

Since the filing of the Complaint, the parties have proceeded diligently under the TTAB's scheduling order. On July 15, 2015, Sefac France took advantage of its earlier-filed TTAB action to serve requests for production of documents, **Exhibit E**, and twenty-seven requests for admissions, **Exhibit F**, which would have been premature under this Court's procedures. Sefac, Inc.'s timely responses to the document requests were made on August 19, 2015. Sefac, Inc.'s timely responses to the requests for admissions will be made on August 24, 2015. The discovery period in the TTAB action is scheduled to close on September 17, 2015. *See* Exh. B. Sefac France's pre-trial disclosures are due no later than November 2, 2015, followed by Sefac, Inc.'s disclosures no later than December 31, 2015. *Id.* Briefing to the TTAB on the parties' substantive claims and defenses is set to be completed by February 29, 2016, at which time the matter will be ripe for decision by the TTAB. *Id.*

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[4]Defendant disputes this characterization.

ARGUMENT

I. THIS COURT SHOULD STAY THIS LITIGATION UNTIL APRIL OF 2016 WHEN BRIEFING TO THE TTAB IS SCHEDULED TO BE COMPLETED IN THE ACTION FILED BY PLAINTIFF, SEFAC FRANCE.

The doctrine of primary jurisdiction and this Court's inherent authority to stay proceedings both enable this Court to require Sefac France to finish the process it started with the TTAB before launching into this partially redundant litigation.

A. The Court Should Invoke the Doctrine of Primary Jurisdiction to Stay these Proceedings During the Course of the TTAB Proceedings Initiated by Plaintiff, Sefac France.

This Court should stay Sefac France's lawsuit, permitting Sefac's S.A.'s Petition for Cancellation to proceed consistent with the judicial doctrine of primary jurisdiction. The doctrine of primary jurisdiction applies "when there is a need for an initial consideration of issues by an agency with specialized knowledge, and those issues have been placed before that agency by the parties." *Microchip Techs., Inc. v. Motorola, Inc.*, No. 01-264-JJF, 2002 U.S. Dist. Lexis 27039, *2-3 (D. Del. May 28, 2002) (citing *Consolidated Rail Corp. v. City of Dover,* 450 F. Supp. 966 (D.Del. 1978)). The doctrine recognizes that in a case when some or all of the issues are "concurrently cognizable" before an administrative agency, staying the litigation will allow the agency "to bring its expertise to bear before the court reaches a final decision, or, in some cases, avoiding the need for a final decision by the courts altogether." *Driving Force, Inc. v. Manpower, Inc.,* 498 F.Supp. 21, 24 (E.D. Pa. 1980) (staying district court case pending resolution of TTAB proceeding). No "fixed formula" controls the application of the doctrine; instead, the question for the Court is whether applying the doctrine in any particular case will serve the purpose of bringing an agency's expertise and knowledge to bear such that administrative questions within that agency's specialization may be answered with more uniformity. *Id.*

In a case closely analogous to this one, *Microchip Techs., Inc. v. Motorola, Inc.*, the District Court for the District of Delaware applied the doctrine of primary jurisdiction to stay litigation alleging trademark infringement, false designation of origin, trademark dilution, unfair competition, and deceptive trade practices. *Microchip Techs.*, *supra,* at *11. Sefac France also filed a petition with the TTAB seeking cancellation of Defendant's trademark. *Id.* at *3. The court granted the defendant's motion to stay pending the completion of the TTAB action, reasoning in part that the plaintiff had acted to place some of the same issues in the litigation within the special competence of TTAB. *Id.* at *4, *7. In similar fashion, this Court applied the doctrine in *Driving Force, Inc. v. Manpower, Inc.*, staying trademark litigation in favor of pending TTAB proceedings and rejecting the argument that a stay should only issue where the agency proceeding would necessarily dispose of all issues before the court. *Driving Force, Inc.,* 498 F.Supp. at 24-25. This Court recognized that trademark registration and use are "precisely the sort of issue with which the [TTAB], unlike a district court, deals on a regular basis." *Id.* at 25. It reasoned that the TTAB's conclusions would be a "material aid" to the Court in any subsequent proceedings and thus granted the defendant's motion to stay. *Id.*

While courts have not universally agreed concerning the proper application of the doctrine of primary jurisdiction in cases involving concurrent TTAB proceedings, *see, e.g., Goya Foods Inc. v. Tropicana Foods Inc.*,846 F.2d 848 (2d Cir. 1988); *Nutraquest Inc. v. All Natural Pharmaceutical & Natural Foods Corp.*, No. 06-186 (DRD), 2007 U.S. Dist. LEXIS 2134

(D.N.J. January 9, 2007), the facts and circumstances of the case now before the Court are more similar to those cases in which a stay was granted.

Here, Count One of Sefac France's lawsuit is a mere paraphrasing of Sefac France's Petition for Cancellation. The same relief is sought under the same legal authority and based on the same alleged facts. The Plaintiffs made these allegations in the TTAB and, seven months later, Sefac France essentially refiled it as Count One of the instant Complaint. *See* Exh. A, ¶ 1; Compl., ¶¶ 48, 63. In both, the tribunal must apply section 14(c) of the Lanham Act, codified at 15 U.S.C. §1064(3), to determine whether the registered mark was obtained fraudulently, is being used to misrepresent the source of goods, or has been abandoned. Sefac, Inc. is actively defending itself in the TTAB, denying the facts alleged and posing multiple affirmative defenses based on doctrines of priority, among others. *See* Exh. C. With all of this already presented to the TTAB and discovery well under way in that forum, the TTAB's conclusions will be a timely and material aid to this Court's resolution of whatever claims may persist after. For example, 15 U.S.C. §1065, section 15 of the Lanham Act, sets forth the conditions under which future use of a disputed trademark "shall be incontestable." Many of such conditions will likely be addressed by the TTAB in its resolution of the pending Petition for Cancellation.

Moreover, the persuasiveness of cases denying a stay in such circumstances suffered a significant blow with the recent Supreme Court opinion in *B&B Hardware, Inc. v. Hargis Indus. Inc.*, 135 S.Ct. 1293 (March 24, 2015). Courts that have refused to apply the doctrine of primary jurisdiction have done so based in part upon an understanding of the TTAB's conclusions as mere prelude to a court's fully independent fact finding and reasoning. *See e.g., Goya Foods*, 846 F.2d at 854 ("The District Court would still independently have to determine the validity and priority of the marks and the likelihood of consumer confusion as to the source of the goods."). This perception of the TTAB process as merely advisory to the courts has now been called into question. *See B&B Hardware, Inc.*, 135 S.Ct. at 1303 (holding that the doctrine of "issue preclusion is not limited to those situations in which the same issue is before two *courts.* Rather, where a single issue is before a court and an administrative agency, preclusion also often applies."[5]). More specifically, in the context of TTAB proceedings, the Supreme Court has now held that "in those situations in which Congress has authorized agencies to resolve disputes, courts may take it as given that Congress has legislated with the expectation that the principle [of issue preclusion] will apply except when a statutory purpose to the contrary is evident." *Id.* (Original formatting) (internal quotations omitted).[6]

The *B&B Hardware* case did not explicitly address the doctrine of primary jurisdiction, but following that opinion it can no longer be maintained that the TTAB proceedings are essentially extraneous and redundant. The broader view of the primary jurisdiction doctrine, applied in cases where motions to stay have been granted, is more consistent with the Supreme Court's holding. In this case, many of the facts relevant to Sefac France's lawsuit are also presented to and may be resolved by the TTAB. *See id.* at 1298-99 ("Allowing the same issue to be decided more than once wastes litigants' resources and adjudicators' time, and it encourages parties who lose before one tribunal to shop around for another."). The Plaintiffs' entire Complaint is built upon the factual predicates that Sefac France first presented to the TTAB. *See, e.g.,* Compl. ¶¶ 63, 72-76. Sefac France started the TTAB process and it is respectfully submitted that this Court should invoke the doctrine of primary jurisdiction to allow that process to serve the function that Congress intended.

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[5] This comports also with the longstanding Supreme Court view that "when an administrative agency is acting in a judicial capacity and resolves disputed issues of fact properly before it which the parties have had an adequate opportunity to litigate, the courts have not hesitated to apply *res judicata* to enforce repose." *B&B Hardware, Inc.,* 135 S. Ct. at 1303.

[6]TTAB decisions regarding cancellation are subject to *de novo* review by the District Court. 15 U.S.C. § 1071(b). "The importance of registration is undoubtedly why Congress provided for *de novo* review of TTAB decisions in district court. It is incredible to think that a district court's adjudication of particular usages would not have preclusive effect in another district court. Why would unchallenged TTAB decisions be any different? Congress' creation of this elaborate registration scheme, with so many important rights attached and backed up by plenary review, confirms that registration decisions can be weighty enough to ground issue preclusion." *B&B Hardware, Inc.,* 135 S. Ct. at 1310.

B. The Court Should Exercise its Inherent Authority to Stay these Proceedings in the Interest of an Efficient and Fair Resolution Consistent with the TTAB Process that was Initiated by the Plaintiff, Sefac France, Seven Months Before it Filed Suit.

This Court has the inherent discretion to stay these proceedings, irrespective of the doctrine of primary jurisdiction, and it is respectfully submitted that this Court should do so in this case in the interest of efficiency and fairness. *See Microchip Techs.*, *supra,* at *7 (relying in part on the inherent authority of the Court to stay trademark infringement litigation pending the TTAB's resolution of a Petition for Cancellation)*; see also Texaco, Inc. v. Borda,* 383 F.2d 607, 608 (3rd Cir. 1967) (staying writ of mandamus proceedings pending resolution of related criminal action). This authority is incident to the Court's inherent power to "dispose of cases so as to promote their fair and efficient adjudication." *United States v. Breyer*, 41 F.3d 884, 893 (3d Cir. 1994). Exercising this authority requires balancing the competing interests of the parties and weighing the potential for hardship or inequity. *See Hertz Corp. v. Gator Corp.*, 250 F. Supp. 2d 421, 424 (D.N.J. 2003) (granting motion to stay trademark litigation).

Courts in the Third Circuit have applied this standard and, in circumstances similar to those present in this case, have chosen to stay trademark litigation. In the *Microchip Techs., Inc.*

v. Motorola, Inc. matter before the District Court for the District of Delaware, the Court weighed the competing interests of the parties and granted a stay, emphasizing, (a) the lack of any expedited proceedings pending before the court, (b) the longstanding duration of the underlying dispute between the parties, and (c) the probability that awaiting the decision of the TTAB "would promote judicial efficiency by either narrowing the issues for trial or making this case ripe for summary judgement." *Microchip Techs.*, *supra,* at *5, *10. Likewise, in the *Hertz Corp. v. Gator Corp.* matter before the District Court for the District of New Jersey, the Court granted a stay of trademark litigation for multiple reasons, most prominently among them being: (a) the fact that the defendant did not seek an indeterminate stay; (b) the availability of meaningful relief to the plaintiff following the expiration of the stay; (c) the "heavy financial burden" on the defendant caused by defending its business in "multiple fora,"; and, (d) the fact that the litigation to be stayed had "barely begun," and had not progressed to an "advanced stage." *Hertz Corp.,* 250 F. Supp. 2d at 425-27.

Here, principles of fairness and efficiency weigh decisively in favor of staying this litigation pending resolution of Sefac France's previously-filed Petition for Cancellation before the TTAB. This litigation is in its infancy, and no motions have been filed seeking expedited relief. The alleged conduct at the heart of these claims is alleged to have been ongoing since 2006, or earlier. Compl. ¶ 6. As discussed, *supra*, the outcome before the TTAB will resolve the issues presented in Count One and is likely to significantly aid the Court in resolving whatever issues remain for litigation. Unlike cases in which district courts have denied motions for stay, here, the TTAB proceeding began seven months *before* the litigation, and is proceeding expeditiously toward an anticipated resolution by April of 2016. *See* Exh. B. It was Plaintiff, Sefac France, which initiated the TTAB proceedings as its first choice of forum, so it can hardly be heard to object to resolving the issues that it placed before the TTAB consistent with that forum's procedures. Since filing this litigation, Sefac France has continued to press the matter toward resolution in the TTAB, utilizing discovery techniques not available through this Court at this early stage of the litigation. *See* Exh. E, F. Meaningful relief is equally available to Sefac France following a stay; in fact, the TTAB proceeding is scheduled to conclude before a resolution is likely to be reached in this Court, so it is not clear that any material delay would result. Finally, the financial burden upon Defendant, Sefac, Inc., that would be imposed by two-front warfare, weighs heavily in favor of a stay. Sefac France should not be permitted to exhaust its adversary financially through simultaneous proceedings, especially when it has chosen the inconvenient forum of Philadelphia in which to file its litigation. *See* Compl. ¶ 4 (identifying Defendant Sefac, Inc. as a Maryland corporation with its primary place of business in Baltimore); *see also* Exh. D (identifying four likely witnesses in Baltimore, six in France, and none in Pennsylvania).

There is no benefit in a race between the tribunals, especially where the Court has not yet held a Rule 16 Conference or issued a scheduling order, and the TTAB process is well under way. The Defendant already denied the TTAB claim by answer and set forth its affirmative defenses. The parties there have already begun working under the TTAB's scheduling order, exchanged initial disclosures, and responded to discovery requests. Discovery will close in September and the matter will be fully briefed and submitted for decision in late February 2016. process is already scheduled to conclude early next Spring. *See* Exh. B. For all of these reasons, Defendant respectfully submits that this Court should exercise its discretion to stay this action pending the conclusion of Sefac France's Petition to the TTAB.

II. THE COURT SHOULD DISMISS ANY CLAIM RELATING TO THE CONSUMER PROTECTION LAW, OR IN THE ALTERNATIVE STRIKE ALL REFERENCES TO IT, BECAUSE PLAINTIFFS LACK STANDING TO ASSERT ANY SUCH CLAIM.

The Complaint twice references the Consumer Protection Law, *see* Compl. ¶ 8 and *ad damnun clause*, but fails to state a claim upon which relief can be granted.[7] Fed. R. Civ. P. Rule 8(a)(2) requires the Complaint to contain a short and plain statement of the claim showing that the pleader is entitled to relief. Under *Aschcroft v. Iqbal,* 556 U.S. 662 (2009) ("*Iqbal*") and *Bell A. Corp. v. Twombly,* 550 U.S. 544 (2007) ("*Twombly*") the plaintiff must plead sufficient facts to show that it has a plausible claim for relief. Rule 12(b)(6) permits this Court to dismiss a complaint if it fails to "state a claim upon which relief can be granted." *Twombly* makes clear that Rule 8 requires that a complaint must include "enough facts to state a claim to relief that is plausible on its face." *Twombly*, 550 U.S. at 570. Minimal pleading standards render meaningless the court's "power to insist upon some specificity in pleading before allowing a potentially massive factual controversy to proceed." *Id.* at 558. Rule 8 "demands more than an unadorned, the-defendant-unlawfully-harmed-me accusation." *Iqbal,* 556 U.S. at 678.

A private cause of action under the Consumer Protection Law may *only* be brought by someone "who purchases or leases goods or services primarily for personal, family or household purposes . . . ." *See* 73 P.S. § 201-9.2(a). A plaintiff lacks standing when its claim is based upon a purchase primarily for business purposes. *Novinger Grp., Inc. v. Hartford Ins., Inc.*, 514

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[7]Defendant does not concede Pennsylvania law applies in this matter, but is assuming it *arguendo* for purposes of moving to dismiss or strike the Consumer Protection Law claim.

F.Supp.2d 662, 670 (M.D. Pa. 2007) (motion to dismiss granted); *W. Coast Franchising Co. v. WCV Corp.,* 30 F.Supp.2d 498, 500 (E.D. Pa. 1998) (dismissal for lack of standing where corporation failed to allege that goods or services subject to dispute were "primarily for personal, family or household purposes"); *Britamco Underwriters v. C.J.H., Inc.,* 845 F.Supp. 1090, 1096 (E.D. Pa. 1994) (private actions under the UTPCPL "have been limited only to situations in which consumers have purchased goods for their personal use rather than for business purposes."); *Zerpol Corp. v. DMP Corp.*, 561 F.Supp. 404, 415 (E.D. Pa. 1983) (count alleging unfair competition in violation of the Lanham Act and violation of Consumer Protection Law dismissed, in part because "a private cause of action under the Pennsylvania Unfair Trade Practices and Consumer Protection Law is available only to purchasers or lessors of goods used 'primarily for personal, family or household purposes.'")

In this case, no party is characterized in the Complaint as a consumer; all are sophisticated businesses. Compl. ¶ 19. Sefac SA alleges it is a French corporation that manufactures heavy duty column lifts. *Id.* ¶¶ 1, 12. Sefac USA, Inc. is its wholly owned subsidiary. *Id.* ¶ 3. Plaintiffs' claims concern only Defendant's use and right to use its registered trademark in commerce. Plaintiffs characterize the action as arising from allegations of "unlawful misappropriation and infringement". *Id.* ¶ 8. There is no allegation of a sale or lease of consumer goods or services to either Plaintiff for personal, family or household purposes. Plaintiffs do not have standing to resolve a business dispute through the Consumer Protection Law which permeates the entire Complaint and is not limited to any single Count. Accordingly, Defendant respectfully submits that this Court should dismiss any claim relating to the Consumer Protection Law, or, in the alternative, strike from the Complaint all reference to it.

CONCLUSION

For the reasons stated above, the Defendant, Sefac, Inc., requests that this Honorable Court dismiss any claim based on the Consumer Protection Law, or in the alternative, strike all reference it from the Complaint, and, as to the remaining claims, enter an Order that this matter be stayed pending the TTAB's determination in Petition to Cancel No. 92060499, and schedule a status conference in this Court for April 2016.

Respectfully submitted,

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